

Message Text

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51

ACTION EUR-25

INFO OCT-01 ISO-00 INT-08 SCI-06 SCEM-02 STR-08 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01

OMB-01 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01

SS-20 USIA-15 ACDA-19 IO-14 DRC-01 /223 W

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R 141230Z DEC 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3677

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

LIMITED OFFICIAL USE LUXEMBOURG 0845

E.O. 11)652: N/A

TAGS: ENRG, LU

SUBJ: LEGISLATURE PASSES LAW GRANTING GOL AUTHORITY

TO CONTROL THE SUPPLY AND DISTRIBUTION OF

PETROLEUM PRODUCTS

REF: LUXEMBOURG 0791

1. ON DECEMBER 12, LUXEMBOURG CHAMBER OF DEPUTIES GRANTED SPECIAL POWERS FOR ONE YEAR TO THE GOL IN ORDER TO CONTROL THE SUPPLY AND DISTRIBUTION OF PETROLEUM PRODUCTS IN LUXEMBOURG.

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2. THE LEGISLATION ALLOWS THE MINISTER OF ECONOMY TO CONTROL PETROLEUM IMPORTS, EXPORTS, STOCKS, TRANSPORT AND TO REQUISITION, PURCHASE AND SELL PETROLEUM PRODUCTS. MEASURES TAKEN BY THE MINISTER MAY BE EITHER OF A GENERAL NATURE OR DIRECTED TOWARD INDIVIDUAL FIRMS OR SECTORS OF THE ECONOMY.

IN A DISCUSSION WITH US AND AMERICAN BUSINESSMEN ON DECEMBER 13, MARCEL MART, MINISTER OF NATIONAL ECONOMY, OUTLINED THE CURRENT PETROLEUM SITUATION IN LUXEMBOURG AND THE USE HE INTENDS TO MAKE OF NEW POWERS DELEGATED TO HIM. MART ESTIMATES LUXEMBOURG DECEMBER SUPPLY OF PETROLEUM PRODUCTS AT 17 PERCENT BELOW NORMAL WHILE JANUARY SHORTAGE IS EXPECTED TO REACH TWENTY PERCENT. SHORTAGE HAS ALREADY SERIOUSLY AFFECTED THE OPERATIONS OF SEVERAL INDEPENDENT OIL DISTRIBUTORS WITH REPERCUSSIONS AMONG RETAILERS OF HOME HEATING FUEL. SUPPLIES OF CERTAIN PETROLEUM INPUTS INTO LUXEMBOURG INDUSTRY SUCH AS PROPANE, ETHYLENE AND NYLON SALT ARE IN EVEN SHORTER SUPPLY. IN ORDER TO ENSURE THAT THE ECONOMIC COST OF PETROLEUM SHORTAGES IS MINIMIZED THROUGHOUT THE ECONOMY AND THAT THE BURDEN IS SPREAD EVENLY, MART HAS TAKEN OR EXPECTS TO TAKE THE FOLLOWING MEASURES:

A) RATIONING. THE GOL IS DEVELOPING A RATIONING PLAN THAT MART SAYS WILL BE NEEDED IN EARLY JANUARY. UNLIKE THE DUTCH RATIONING SCHEME, WHICH MART BELIEVES TO HAVE BEEN CONCEIVED HASTILY, THE GOL INTENDS TO CONSIDER SPECIFIC NEEDS MORE CLOSELY WITH THE ESTABLISHMENT OF SEVERAL CATEGORIES FOR RATIONING PURPOSES.

B) POOLING OF RESERVES. MAJOR OIL COMPANIES ARE ALREADY VOLUNTARILY COOPERATING IN A POOL ARRANGEMENT TO ENSURE THAT HOMES AND PUBLIC FACILITIES HERETOFORE SUPPLIED BY INDEPENDENT OIL DEALERS WILL BE ASSURED OF A CONTINUING SUPPLY. EACH OIL COMPANY'S CONTRIBUTION TO THE POOL IS BASED ON ITS 1972 MARKET SHARE AND VOLUME OF BUSINESS.

C) EMPLOYMENT. MART SEES NO RESTRICTIONS ON LIMITED OFFICIAL USE

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IMMIGRANT LABOR (WHICH CONSTITUTES 30 PERCENT OF THE LUXEMBOURG INDUSTRIAL LABOR FORCE, PREDOMINATELY IN THE CONSTRUCTION INDUSTRY). LUXEMBOURG ALREADY HAS A VERY TIGHT LABOR MARKET AND IN ORDER TO MAINTAIN FULL EMPLOYMENT DURING THE PETROLEUM SHORTAGE, THE GOL HAS SET UP A SPECIAL BOARD UNDER THE DIRECTION OF THE SECRETARY OF LABOR. BEFORE LAYING OFF EMPLOYEES, COMPANIES ARE REQUESTED TO CONSULT WITH THIS LABOR BOARD, WHICH HAS

ALREADY PROPOSED A FORM OF BURDENSARING WHEN LABOR CUT-BACKS ARE INEVITABLE. UNDER THIS ARRANGEMENT, THE FIRST 8 DAYS WORK LOST EACH MONTH BY AN EMPLOYEE ARE CHARGEABLE TO THE EMPLOYEE, THE SECOND 8 ARE PAID BY THE COMPANY AND THE REMAINDER ARE COVERED BY THE GOL WHICH WILL GUARANTEE UNEMPLOYMENT BENEFITS EQUAL TO 70 PERCENT OF EMPLOYEE'S BASE SALARY.

D) PRICES. MART EXPECTS THAT HE WILL BE FORCED BY ECONOMIC PRESSURES TO ALLOW AN INCREASE IN THE PRICES OF GASOLINE, FUEL OIL AND DIESEL, WHICH ARE NOW CONTROLLED BY THE GOVERNMENT AND ARE THE LOWEST IN THE EC. AT THE SAME TIME, HE FEARS THE INFLATIONARY IMPACT THAT THESE INCREASES WILL HAVE ON THE REAL GROWTH OF THE LUXEMBOURG ECONOMY.

4. THE MAIN THRUST OF MART'S COMMENTS TO THE AMERICAN BUSINESSMEN WAS THAT HE WOULD MAKE VERY ATTEMPT TO MEET THEIR NEEDS -- OR AT LEAST TO SHARE THE BURDEN AMONG THEM -- SINCE US INVESTMENT IN LUXEMBOURG CONSTITUTES THE BACKBONE OF THE GOL INDUSTRIAL DIVERSIFICATION POLICY AND ACCOUNTS FOR 20 PERCENT OF INDUSTRIAL EMPLOYMENT. AT THE SAME TIME, MART EXPECTS US MULTINATIONALS NOT TO UNDERMINE HIS ATTEMPTS AT AN EQUITABLE DISTRIBUTION OF SCARCE PETROLEUM RESOURCES BY GOING IT ALONE. IN THIS CONTEXT, MART MENTIONED THAT THE MULTINATIONAL COMPANIES' ABILITY TO CIRCUMVENT NATIONAL OBJECTIVES HAD BEEN CRITICIZED BY THE PARLIAMENTARY OPPOSITION DURING DEBATE IN THE LUXEMBOURG PARLIAMENT ON THE EMERGENCY LEGISLATION. FARKAS

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